

Message Text

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DEPT PASS LABOR FOR SEGALL AND STEWART; HEW FOR CARROLL AND
RODRIGUEZ; CEA FOR O'NEILL, FRB FOR JUNZ.

E.O. 11652: N/A

TAGS: ELAB, OECD

SUBJ: MSA: WORKING PARTY ON INCOME TRANSFER POLICY
OCTOBER 8-10; 1973.

1. SUMMARY: ALMOST ALL OF MEETING DEVOTED TO THOROUGH
AND FRUITFUL DISCUSSION OF UK TAX CREDIT PROPOSAL AND
RELATED PROBLEMS IN GREEN PAPER OF 1972. DECISION OF
FUTURE WORK PROGRAM WILL BE MADE AT NEXT SESSION OF
MANPOWER AND SOCIAL AFFAIRS COMMITTEE BEGINNING NOVEMBER 19.
IN VIEW OF US INTEREST AND LEADERSHIP IN WP, IT WOULD
BE HELPFUL IF US COULD PRESENT WELL ARTICULATED WORK
PROPOSALS TO MSAC (SEE PARA 3 BELOW). END SUMMARY.

2. EXPLANATION OF HOW UK PROPOSAL FOR MODIFIED NEGATIVE
INCOME TAX MIGHT RATIONALIZE AND COORDINATE PRESENT
TAX STRUCTURE WITH SOCIAL SECURITY AND MEANS-TESTED
WELFARE SYSTEM HIGHLY INTERESTING AND VALUABLE TO
PARTICIPANTS, PARTICULARLY US DELEGATION. UK REPS HIGH-
LIGHTED THAT PART OF PROPOSED LEGISLATIVE FOLLOW-UP TO
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GREEN PAPER WHICH CALLS FOR PAYMENT OF FULL ALLOWANCE FOR

EACH CHILD DIRECTLY TO MOTHER BY MAIL RATHER THAN THROUGH THE FATHER'S WEEKLY PAY CHECK. (THEY ALSO ASSERTED THAT THIS FEATURE HAD SUPPORT OF THE TUC AND THE GENERAL PUBLIC). ALSO OF INTEREST WAS DISCUSSION OF TAX TREATMENT OF WOMEN AND A NEW NON-CONTRIBUTORY SOCIAL SECURITY SCHEME FOR "SINGLE HEADED" FAMILIES. UK REPS DECLINED TO DISCUSS OTHER ASPECTS OF FORTHCOMING GOVERNMENT PROPOSALS WHICH HAVE NOT YET BEEN MADE PUBLIC. WP DISCUSSION OF BRITISH PRESENTATION EVOKED LIVELY COMMENT AND INTEREST FROM PARTICIPATING COUNTRIES ALSO FACED BY SIMILAR POVERTY, SOCIAL SECURITY, AND WORK INCENTIVE PROBLEMS. ACTIVELY PARTICIPATING IN DISCUSSION WERE REPRESENTATIVES OF GENERAL ECONOMICS BRANCH AND OF THE DIRECTORATE FOR FINANCIAL AND FISCAL AFFAIRS OF OECD.

3. IN-DEPTH DISCUSSION OF UK SITUATION PRECLUDED WP FROM DECISIVE CONSIDERATION OF PROGRAM OF WORK FOR 1974 AND THIS WILL BE AN IMPORTANT AGENDA ITEM FOR MSAC AT NOVEMBER 19 SESSION. INITIAL MSAC DISCUSSION LIKELY TO CENTER ON CHOICE PRESENTED IN PARAS 7A AND 7B OF REFERENCE, I.E. FURTHER DISCUSSION OF ISSUES RAISED BY UK TAX CREDIT SYSTEM OR A NEW PROJECT ON PENSION SYSTEMS. LATTER PROJECT, PARTICULARLY BECAUSE OF CONNECTION WITH MSA WORK ON FLEXIBILITY OF WORKING LIFE, LOOKS MORE PROMISING TO MISSION AS CENTER PIECE FOR 1974 WORK; SECRETARIAT ALSO FAVORS THIS COURSE. SHOULD THE DEPARTMENT AGREE, IT WOULD BE HELPFUL TO HAVE SPECIFIC PROPOSAL ASAP, SO THAT MISSION CAN PREPARE APPROACHES TO OTHER NATIONAL DELEGATIONS. DEPARTMENT MIGHT ALSO CONSIDER APPROACH TO MSAC CHAIRMAN FALCHI WHO IN GENERAL FAVORS WORK OF IMMEDIATE BENEFIT TO MEMBER COUNTRIES AND MAY SEE FOLLOW-UP OF UK TAX CREDIT PROPOSALS IN THIS LIGHT. IN DEVELOPING POSITION, DEPARTMENT MIGHT ALSO BEAR IN MIND FRG PREFERENCE FOR MORE GENERAL WORK ON MACRO EFFECTS OF INCOME TRANSFERS PRIOR TO GOING INTO "SPECIFIC AREA" OF PENSIONS.BROWN

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